

Message Text

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PAGE 01 BUENOS 00410 211653Z

41

ACTION ARA-10

INFO OCT-01 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 USIE-00

ABF-01 XMB-02 FRB-03 FS-01 L-03 H-02 OPR-02 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 PRS-01 ARAE-00 SSO-00

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O R 211624Z JAN 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 4216

INFO USDEL MTN GENEVA

AMEMBASSY MONTEVIDEO

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DEPARTMENT PASS TREASURY AND COMMERCE

E. O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJECT: GOA MODIFIES EXCHANGE REGIME

REF: BUENOS AIRES 0134

1. EFFECTIVE JANUARY 19, GOA SUBSTANTIALLY MODIFIED ARGENTINE FOREIGN EXCHANGE REGIME. MAJOR EXCHANGE IS EXPANSION NEWLY CREATED FREE MARKET. IMPORTANT CHANGES ALSO MADE IN EXPORT REGIME AND IN IMPORT PAYMENT AND FOREIGN EXCHANGE INSURANCE REGULATIONS. HIGHLIGHTS FOLLOW.

FOREIGN EXCHANGE MARKETS

CENTRAL BANK CIRCULAR 592 FIXES EXCHANGE MARKETS WHICH APPLY FOR DIFFERENT OPERATIONS. NORMAL FINANCIAL RATE NOW COVERS 1) EXPORTS AND IMPORTS PREVIOUSLY CONDUCTED AT THAT LIMITED OFFICIAL USE

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PAGE 02 BUENOS 00410 211653Z

RATE, AND 2) FINANCIAL LOANS AND RELATED INTEREST PAYMENTS.

SPECIAL FINANCIAL RATE NOW APPLIES ONLY TO FREIGHT AND INSURANCE OPERATIONS AND A FEW EXPORTS. RECENTLY CREATED FREE MARKET (BUENOS AIRES 0134) EXPANDED TO COVER ALL REPEAT ALL OPERATIONS NOT ENUMERATED ABOVE. SALE OF FOREIGN EXCHANGE WILL CONTINUE TO BE TIGHTLY CONTROLLED BY CENTRAL BANK.

EXPORTS

CENTRAL BANK CIRCULAR 591 PERMITS EXPORTERS TO SELL ON FREE MARKET FOREIGN EXCHANGE RECEIPTS UP TO MAXIMUM OF 3 PERCENT OF OFFICIAL MINIMUM PRICE VALUE OF PRODUCT. (GOA MAINTAINS MINIMUM EXPORT PRICES FOR VARIETY TRADITIONAL AND NONTRADITIONAL EXPORTS.) ALL FOREIGN EXCHANGE RECEIPTS EXCEEDING OFFICIAL MINIMAL PRICE MAY ALSO NOW BE SOLD THROUGH FREE MARKET. EMBASSY WILL REPORT BY SEPTTEL ON ANOTHER DECREE WHICH PROVIDES SUBSTANTIAL ADDITIONAL BENEFITS TO EXPORTERS.

IMPORT PAYMENT AND IMPORT EXCHANGE INSURANCE

CENTRAL BANK CIRCULAR 594 MODIFIES REGULATIONS COVERING IMPORT PAYMENTS AND FOREIGN EXCHANGE INSURANCE. ACCORDING TO DECREE IMPORT PAYMENTS IN FUTURE WILL BE MADE AT EXCHANGE RATE IN EFFECT AT TIME OF TRANSFER PLUS 20 PERCENT. IMPORTER MAY OBTAIN FOREIGN EXCHANGE INSURANCE FOR MAXIMUM 50 PERCENT FOB VALUE OF MERCHANDISE VIA PRIOR DEPOSIT OF PESO EQUIVALENT (NO INTEREST REQUIRED. HOWEVER, IMPORTER MUST PAY REMAINING 50 PERCENT OF IMPORT VALUE AT EXCHANGE RATE IN EFFECT AT TIME OF TRANSFER AND IN ADDITION IS STILL LIABLE TO 20 PERCENT EXTRA ON TOTAL VALUE. KEY CHANGE IS THAT IMPORTER NO LONGER ABLE TO OBTAIN FOREIGN EXCHANGE COVER FOR FULL 100 PERCENT OF IMPORT VALUE.

TOURISM

GOA ALREADY IMPLEMENTED FREE MARKET RATE FOR TOURISM EFFECTIVE JANUARY 7. UNDER DECREES 592 ABOVE, LOCAL PURCHASE TRAVEL TICKETS ALSO CONDUCTED AT FREE MARKET RATE. CENTRAL BANK CIRCULAR 595 SUSPENDS APPLICATION SPECIAL LIMITED OFFICIAL USE

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PAGE 03 BUENOS 00410 211653Z

4 PESO TOURIST TAX.

EXTERNAL BONDS

IN EARLY JANUARY CENTRAL BANK AUTHORIZED NEW \$75 MILLION DOLLAR EXTERNAL BOND ISSUE FOR PUBLIC SUBSCRIPTION. IN SEPARATE DECREE, CENTRAL BANK MADE \$75 MILLION OF THIS AMOUNT AVAILABLE TO EXCHANGE HOUSES FOR PURPOSE TAPPING

FOREIGN EXCHANGE INFLOWS. EARLIER \$200 MILLION EXTERNAL
BOND ISSUE FOR PROFIT AND ROYALTY REMITTANCE NOW FULLY
SUBSCRIBED ACCORDING SOURCES.

2. COMMENT: AFTER ONLY 2 WEEKS, GOA HAS TRANSFORMED FREE
MARKET INTO MAJOR MARKET FOR ALL TRANSACTIONS WITH EXCEPTION
EXPORTS, IMPORTS, FINANCIAL LOANS, INTEREST AND FREIGHT
AND INSURANCE OPERATIONS. GENERAL DIRECTION OF SHIFT
APPEARS FAVORABLE ALTHOUGH IT IS STILL EARLY TO PREDICT
SPECIFIC REPERCUSSIONS. LOCALLY THERE IS CONSIDERABLE
CONCERN THAT NEW RULES COVERING IMPORT PAYMENT AND EXCHANGE
INSURANCE WILL SIGNIFICANTLY RAISE IMPORT COSTS. BANK
SOURCES CONFIRM FREE MARKET ALSO APPLIES FOR EMBASSY
TRANSACTIONS WHICH SHOULD PROVIDE RELIEF FOR TIGHT EMBASSY
BUDGET. SINCE INCEPTION OF FREE MARKET JANUARY 7, RATE
HAS FLUCTUATED IN 135 PESO/US DOLLAR TO 142 PESO/US DOLLAR
RANGE.
BEAL

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